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USSR: Redefining the Party's Role in the Economy

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USSR: Redefining the Party's Role in the Economy

A Research Paper

This paper was prepared by _____, Office of
Soviet Analysis, with contributions from the Office of
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USSR: Redefining the Party's Role in the Economy

Key Judgments

*Information available
as of 25 July 1989
was used in this report.*

Reduced party control of the economy, a key element of Gorbachev's strategy for economic reform, has not proceeded very far, and it is doubtful that Gorbachev will make much progress during the next two to three years. Gorbachev has argued that a highly centralized authoritarian and interventionist political system is incompatible with decentralized economic decision making, efficiency, innovation, and initiative from below. In seeking to reduce party control, he has taken on a monumental task that angers party officials who believe the party's political power derives from control of the economy and see a major threat to their own personal status and privileges.

Gorbachev's vision is to refocus the party's role away from operational economic management to "political leadership" functions, which include formulating broad policies, carrying out grassroots political work to promote these policies, recommending candidates for important posts in the economy and government apparatus, and preventing ministry officials from undermining reform. But, while Gorbachev has touted the importance of this strategic role, he has been vague as to how the party can provide overall guidance if it lacks administrative clout to ensure compliance.

We believe a sizable reduction in the party's role during the next two to three years would produce serious economic disruption. Over the long term, however, the impact of a significantly reduced party role in the economy would be positive if the transition took place in a stable political environment and was accompanied by the development of competitive markets. Thus far, Gorbachev has:

- Completed a reorganization of the entire party apparatus, eliminating most party departments responsible for specific economic sectors and replacing them with consolidated socioeconomic departments intended to focus on broad economic strategy.
- Implemented personnel cuts in the apparatus intended to limit its capability to micromanage the economy. We estimate, however, that only about 6 percent of the approximately 125,000 full-time party jobs have been cut, leaving the party with a base for continued detailed supervision of the economy.

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- Sought to expand the role of state representative legislative bodies (soviets) and given the Supreme Soviet the authority to pass legislation on a wide range of economic matters.
- Weakened the party's role in staffing key economic positions by increasing the voice of the Supreme Soviet in appointing government ministers and by giving worker collectives some voice in the selection of factory managers.
- Proposed combining the posts of party committee first secretary and soviet chairman, probably with the intention of making local party bosses accountable to some degree to elective legislative bodies, although this move could have the opposite effect of enabling party bosses to continue to dominate the soviets

Resistance to Gorbachev's initiatives to reduce the party's role is formidable at all levels of the apparatus. Orthodox Soviet leaders—including party secretary Ligachev—have cautioned against party organizations abandoning their economic functions. At the same time, local party bosses resent being told to reduce their oversight while they continue to be held responsible by higher party officials for the economic performance of their territories.

We believe Gorbachev will probably decide to ease his push at least temporarily rather than risk a political showdown with the party apparatus. An added argument for this course is that it avoids economic disruptions that would result from reducing the party's administrative control before the introduction of key economic reforms that have been put on hold while the leadership grapples with inflation and consumer distress. The danger of this delay for Gorbachev is that it would give the apparatus additional time to seek to undercut his entire reform program. But this risk can be diminished if he maintains some of the reform momentum by laying the groundwork for a renewed effort to reduce the party's role in the economy as part of an overall push to move ahead with economic reform during the early 1990s.

Key indicators of progress for Gorbachev's program would include:

- Deeper cuts in the party apparatus—eliminating personnel in the city and rayon party organizations, which constitute the bulk of the apparatus.
- Implementation of measures that will increase the public accountability of local party bosses and thereby reduce their power.
- Reduced responsibility of party officials for area plan fulfillment

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We believe that reducing the party's economic role would inevitably result in a reduction of its power and prestige, particularly at the local level. This has been the case in Hungary, where the process of reducing the party's involvement in the economy over the past two decades has made the party increasingly irrelevant.

The implications for the economy of a reduction in the party's role would probably be positive to the extent that it is accompanied by the introduction of market forces. The Chinese reform experience, however, suggests that such benefits would be substantially reduced if the local soviets become substitutes for Moscow-based ministries without the discipline of the market.

The role the CPSU plays in the economy will depend on the party's ability to maintain legitimacy and cohesion during a period of political and social turmoil. It will also be strongly affected by the fate of Gorbachev's overall effort to open up the political system without relinquishing the CPSU's position as the dominant political institution.

Contents

	<i>Page</i>
Key Judgments	iii
Scope Note	ix
Introduction	1
Party's Traditional Role	2
Higher Party Organizations	3
Republic Party Organizations	5
Local Party Organizations	5
Primary Party Organizations	6
Gorbachev's Strategy	6
Reducing the Structure	7
Transferring Responsibilities	7
The Party's New Role in the Economy	9
First Results	12
Obstacles	13
Outlook	15
 Appendixes	
A. Role of Local Party Organizations in the Economy	19
B. Reducing the Party's Role in Other Communist Countries	23

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Scope Note

This assessment examines the purpose, content, prospects, and implications of Gorbachev's struggle to reduce party control of the economy as a means of stimulating the initiative and innovation he considers necessary to reinvigorate the Soviet economy. It explores the party's traditional role in the economy to provide a baseline for assessing Gorbachev's progress and draws on the efforts of other Communist regimes to reduce the party's role. The assessment builds on two earlier Research Papers, SOV 89-10052X [] , June 1989, *Gorbachev's Reorganization of the Party: Breaking the Stranglehold of the Apparatus*, which deals with the reorganization of the main bodies of the Communist Party of the Soviet Union (CPSU), including the Central Committee Secretariat and departments, and SOV 89-10024X [] , March 1989, *Gorbachev's Reform of State Institutions: Toward a Parliamentary System?*, which assessed the attempt to shift some party functions and power to state institutions. A forthcoming paper on democratization in the workplace will evaluate Gorbachev's efforts to modify the party's control of key personnel decisions.

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USSR: Redefining the Party's Role in the Economy

Introduction

A key element of Mikhail Gorbachev's strategy for implementing economic reform to promote managerial independence and responsibility has been his attempt to redefine and reduce the roles of both the government bureaucracy and the party. He began his assault on the central ministries first—with the June 1987 Central Committee plenum that approved guidelines for economic reform—and has pursued it vigorously, culminating in the major reorganization unveiled at the June 1989 Supreme Soviet session.

Gorbachev soon extended his restructuring to the party, realizing that a highly centralized, authoritarian, and interventionist political system was incompatible with the effort to decentralize economic decision making and stimulate efficiency, innovation, and initiative from below. In a speech to Leningrad party officials in October 1987, Gorbachev called attention to this problem:

We have long been saying, justly, that it is time for party officials to stop taking the place of economic managers and intervening in everyday production activity . . . [however] in real life . . . we went along the path of command methods and administrative methods—in other words, along the path of party pressure . . . Now that we are mastering and implementing a reform and mastering new methods of economic management, it is necessary at the same time to restructure the methods of party work in the sphere of the economy, too

The Party's Traditional Role

Since the dawn of Soviet power, control over the economy has been a key part of the CPSU's raison d'être. One of the fundamental tenets of Marxist ideology is that political power is dependent on control

of the means of production and distribution. Soviet historical experiences, at least until recently, have reinforced this ideological orientation.

When Lenin relaxed central control over the economy with the New Economic Policy (NEP) in 1921, he and other party leaders viewed this policy as a temporary tactical retreat necessitated by the new regime's inability to organize economic production in the face of widespread peasant resistance. The unleashing of market forces under NEP stimulated the economy, but the NEP period caused Communist elites to fear that the peasants' growing economic independence would place ever sharper limits on the party's freedom of maneuver, constraining its ability to move ahead with rapid industrialization and the building of a strong Soviet state. By the late 1920s increasing numbers of Communists believed that only the imposition of central party control over agricultural production would enable the party to establish political hegemony in the countryside, essential to the survival and expansion of its power.

Stalin cut the Gordian knot by massive repression, forcing on the country a command system in which the interests of the population were subordinated to the priorities of the Communist regime. However much Communist elites in the Khrushchev and Brezhnev eras regretted the violent "excesses" with which Stalin achieved his objectives, they generally attributed the USSR's rise as a world power and the CPSU's consolidation of power internally to his creation of a planned economy in which economic decisions are made administratively and remain under the supervision of the party (see inset).

Belief in the linkage between political power and control over the economy has been a driving force affecting party officials' perceptions not only of the regime's interests, but also of their own personal

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Actions by Khrushchev and Brezhnev To Strengthen the Party's Role in the Economy

As their predecessors had done, Khrushchev and Brezhnev paid lip service to the notion that the party was to concentrate on political and ideological leadership, supervising all other organizations but not interfering too much in economic management. In practice, however, they encouraged heavyhanded involvement in economic matters by party officials.

Khrushchev actively pursued measures intended to intensify the involvement of party officials in economic matters:

- In 1957 he engineered a massive shift of power from the Moscow-based ministries to approximately 100 regional economic councils (sovnarkhozy), which, under the supervision of republic-level branches of the State Planning Committee (Gosplan) directly controlled major enterprises in their territories. Until it was largely undone between 1960 and 1962, the reorganization extended the power and responsibility of republic and obkom first secretaries.*
- In 1962 Khrushchev directed the splitting in two of over half the obkoms so that in a given region there would be one party committee for industry and one for agriculture. The move, reversed soon after*

Khrushchev's ouster, appeared intended in part to reduce the powers of individual party bosses who controlled all spheres within their oblasts, but it also was defended on the grounds that it would facilitate detailed intervention in the economy by the party

Brezhnev also sought to strengthen the party's role in economic management:

- Beginning in the mid-1960s, he emphasized the need for intervention by party officials to break through bureaucratic inertia. In the 1970s he pushed for measures intended to give party officials greater control over planning at the national and local level.*
- In a recent letter to Kommunist, a sector chief at the Institute of the History of the Party attached to the Belorussian Central Committee asserted that during the 1970s and 1980s the ranks of the party apparatus had swelled. He noted that since 1965 the number of "responsible workers" attached to the Belorussian Republic Central Committee has grown by roughly 50 percent, from 159 to 240.*

interests.¹ They have traditionally believed that their personal power and privilege to a considerable extent flow from their role in the economy. In a recent article in *Pravda*, a correspondent asserted that many party officials are "loath to give up [economic] functions that are not their own for fear of losing power." Moreover, those who devote much of their time to

¹ In this assessment "party officials" include those people who work for the party apparatus and are commonly referred to by Soviets as "responsible workers," including party committee secretaries, department and sector heads and their deputies, as well as party committee staffers (so-called instructors), and certain other professionals who work for the apparatus on an ad hoc basis. It excludes "technical workers"—guards, messengers, secretaries, and so forth.

economic matters believe that their skills and experience are not transferable. In a May 1988 interview with an Italian newspaper, historian Yevgeniy Ambartsumov asserted that "when many party leaders lose their right to issue orders [to economic managers] they lose their raison d'être." According to Soviet economist Gavril Popov, editor of *Voprosy ekonomiki*, local party officials sometimes view abandonment of their traditional role in the economy "as a death blow to their former skills and experience."

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Senior party leaders have almost always had training in an economics specialty and acquired experience with economic matters through years spent at the local party level. Gorbachev, for example, acquired a degree in agriculture and dealt heavily with that sector while a party official in Stavropol'. According to a recent poll of 487 first secretaries of city and rayon party committees published in *Voprosy Istorii KPSS*, 84 percent of the respondents had received their higher educational training in an economics specialty. In a January 1983 *Pravda* article, the Minister of Construction in the Urals and West Siberia complained that his enterprises had a "particularly hard time" with party intervention because the "oblast party committee secretaries are [often] former construction workers." The so-called instructors who perform the operational work of party committee departments invariably have also had technical backgrounds. A recent *Sovetskaya Rossiya* article noted that "today's instructors [were] yesterday's enterprise directors, engineers, agronomists, [and] livestock specialists."

Party officials traditionally have been held accountable for their areas' socioeconomic development and specifically for the fulfillment of planned production targets. Under Gorbachev this responsibility has continued. In an April 1988 issue of *Sovetskaya Rossiya*, a primary party organization (PPO) secretary said that it was "understandable why local party organizations take on economic affairs [since] higher party organizations ask for production indicators more sternly from party committee secretaries than enterprise directors." An August 1987 *Pravda* editorial asserted that the rayon party committee first secretary "cannot hide [from economic matters because] he is answerable for everything."

The party's tight control over the economy is reflected in its organizational structure and responsibilities at all levels:

- Higher party organizations (Politburo and CPSU Central Committee Secretariat) have formulated national economic policies that have relied heavily

on administrative intervention to ensure implementation. They have been supported by a large staff, divided into departments, roughly half of which, until reforms by Gorbachev, were focused on the economy.

- Local party organizations, along with their counterparts in the ministerial bureaucracy, have overseen implementation of economic policy, involving themselves in the operational details of enterprises and especially farms in their territories.²
- PPOs, the building blocks of the party apparatus, have been established in virtually every workplace as its on-site representatives

Higher Party Organizations

At the top, the Politburo is responsible for formulating national economic strategy and has relied heavily on administrative levers—such as annual, five-year and long-term plans—to ensure implementation. These plans, elaborated by the governmental bureaucracy, have ultimately determined operational details for each enterprise and farm, including type and quantity of output, wage policy, and choice of business partners. The Politburo has also reached directly into economic matters that in Western countries are usually handled by local business or government officials. For example, during 1987 and 1988 the Politburo made decisions regarding preparations for the harvest, plans for building a railway in the Caucasus, better use of natural resources in Murmansk, and restoration of tea plantations.

² In this assessment "local party organizations" include the party's 14 republic central committees, 157 oblast party committees (obkoms), 898 city party committees (gorkoms), and 3,539 rayon party committees (raykoms). Each committee, with a few exceptions, oversees the party and state organizations located within the specific territorial subdivision from which it takes its name. In descending order, the subdivisions are the republic, the region (oblast), the city, and the district (rayon).

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The party's executive arm, the CPSU Central Committee Secretariat, has reinforced the reliance on tight central control over economic activity. It has controlled the appointment of individuals to important local party organization posts, all ministry positions at the national level, and managerial positions in key factories. It has also prepared draft decisions for the Politburo and closely overseen the implementation of policies by government institutions and local party organizations. [

said that in 1987 department officials made 240 trips to local party organizations, plants, and institutes to check the progress of various measures. Also, in August 1986 the Secretariat summoned enterprise directors to Moscow for a review of their efforts to improve labor productivity on construction projects.

The Politburo and Secretariat have been able to rely on a CPSU Central Committee staff that in September 1988 totaled 1,940 party officials, according to a Gorbachev letter in *Izvestiya-TsK KPSS*. During most of Soviet history, that staff has been spread over a number of departments (*otdely*) that together monitored and supervised the national-level ministries and state committees of the government bureaucracy responsible for the economy, as well as other national-level organizations. From the early 1960s to the end of 1988 there had been 20 or so departments, roughly 10 of which shared the bulk of responsibility for the economy.

Republic Party Organizations

Although classified as "local party organizations," republic central committees in large republics—including the Ukrainian, Kazakh, and Uzbek—with many obkoms and complex economies, probably function more like higher party organizations in dealing with economic matters. In the Ukrainian SSR, for example, the republic party leadership oversees dozens of republic ministries based in Kiev. It presumably spends much of its time defining policy guidelines for these ministries, monitoring their implementation, and controlling the selection of personnel for important ministerial posts. In contrast to republic party organizations in smaller republics, the

Ukrainian party central committee probably spends less time involving itself directly in matters at the enterprise or farm level.

Local Party Organizations

As key overseers of the implementation of national policies, local party officials have for decades been deeply involved in the affairs of all economic sectors in their areas (see inset). The intensity of this involvement appears to have continued under Gorbachev:

- According to the recent poll of gorkom and raykom first secretaries published in *Voprosy istorii KPSS*, 80 percent of the raykom first secretaries who responded indicated that they regularly intervened in the affairs of enterprises and farms.

- In an October 1988 conversation [a government official [] noted that local party officials continued to interfere in "many" local enterprises.

- According to an article in the September 1987 *Seriya ekonomika i prikladnaya sotsiologiya*, a poll of farm managers in a rural raykom in Saratov found that 77 percent of the respondents noted the interference of their raykom first secretaries in deciding routine economic issues.

Local party officials appear to have been more heavily involved in agriculture than in industry because of the party's special concern for controlling this sector. Party officials have recognized that implementation of the decades-old policy of exploiting the rural population—in effect, providing lower pay for peasants than for industrial labor—requires tighter administrative control. They have been aware that food shortages are more likely to result in public unrest than deficits of industrial products and that farms can divert their produce for the use of their own members more easily than industrial enterprises whose output is of little direct use to the workers. Also, agriculture is more susceptible to crises because of the vagaries of the weather.

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A Tradition of Party Economic Involvement

Excerpts from a recent fictional dialogue between two party officials, by Soviet reform economist, and Gorbachev adviser Fedor Burlatskiy, underscore the tradition of party involvement in the economy:

Shirokov (newly elected obkom first secretary):

It is necessary to put an end to extraordinary methods, orders, instructions, and downright bureaucratic administration. People were summoned to obkom bureau sessions and carpeted—and headway had been made. . . . That is how it was for many years, for many decades. Maybe there was no other way. Times were extraordinary—the civil war, then industrialization by extraordinary methods, the same with collectivization, and finally the great patriotic war—everything was at stake. Much time has passed, but we still have not gotten rid of these extraordinary measures. Sowing campaigns, harvest campaigns, students, school pupils, and scientists in the fields, rush work at enterprises in the last 10 days of the month, permanent toil as regards supplies and pledge fulfillment. . . . How can you force anyone to invent more, to think better, to work more efficiently? . . . You want to personally tell people everything: How to work, how much to earn, where to live . . . what do you call this?

Streshnev (the official Shirokov is replacing):

I find all this strange. I'm not used to it. Maybe I really have become a stick-in-the-mud in some respects, maybe I have become bogged down in petty routine, in resolutions, in speechifying. The grain plan, the meat plan, refrigerators, cement. You have to make time for everything. You know, there is no time for reflection: Everything must get done on time

Local party officials apparently have been held more accountable for the agricultural performance of their territories than for industrial performance. A recent study of letters to *Ekonomicheskaya gazeta* (1976-86)

indicates that local party officials have been more frequently condemned for lagging agriculture than for lagging industry. Also, they appear to have had greater authority to intervene in agricultural affairs.

recently told that, in contrast with city party officials, Soviet raykom secretaries in rural areas are absolute monarchs in their areas because there are no countervailing forces there such as exist in cities, like directors of large enterprises.

The organization of the party at the local level has facilitated its involvement in the economy. Until the end of 1988, party officials attached to local party committees were grouped into various departments, some of which have focused on specific branches of the economy:

- In a May 1988 *Pravda* interview, V. Kozlov, a gorkom first secretary in Orenburg, acknowledged that local party intervention in economic matters has stemmed "in no small measure from the branch departments of party committees."
- In a recent letter to *Sotsialisticheskaya industriya*, a Ukrainian engineer argued that the increasing size of branch departments of local party committees was largely responsible for the party's continued "supplanting" of economic managers and local soviets

The involvement of local party officials in the affairs of enterprises and farms has taken several forms, including:

- *Coordinating the activities of area organizations.* Local party officials have redirected labor and other resources among local organizations in order to

* See appendix A for a detailed description of these functions.

meet national economic targets (for example, to bring in the harvest), to complete municipal projects, to prioritize scarce supplies, and to cover losses of inefficient businesses.

- *Intervening in interorganization decisionmaking.* This has included changing production plans, "protecting" housing and social projects, and forcing the introduction of new equipment and methods of production and management.
- *Petitioning higher authorities.* The local party has tried, with varying success, to persuade ministries and other higher authorities to favor their enterprises and farms in the allocation of material and financial resources.
- *Selecting and firing managers.* Local party officials have played an active role in the hiring and firing of managers for specific industrial and farm posts.

Primary Party Organizations

In contrast with officials of higher and local party organizations, secretaries of PPOs appear to have had little impact on the decisionmaking of farm and enterprise managers:

- A recent *Pravda* article, for example, lambasted a state farm party secretary in Krasnodar for "staying on the sidelines . . . acting as if he is at the beck and call of the [farm] director . . . not daring to argue, stand up for his own opinion, or condemn a clear error by the manager."

[] secretaries of PPOs had little authority at their enterprises

In part, PPO secretaries at enterprises lack power because they have been financially dependent on their managers. Over 90 percent of PPO secretaries work part-time on their party duties while holding down a full-time job at their enterprises and depend on their

enterprises for their income. Even the secretaries at large enterprises who work full-time for the party apparatus apparently depend on bonuses given out by their managers for a large portion of their incomes. Moreover, PPO secretaries often have not been as technically qualified as their managers. One former manager attributed his PPO secretary's lack of authority to his incompetence in the everyday concerns of the plant. Another noted, "The PPO secretary doesn't handle either the machinery, the technology, or the personnel problems. He is a blank. He could be an absolutely illiterate, technically incompetent man."

In those cases when PPOs manage to exert influence, they presumably do so by relying on their major weapon—their right to refer problems to higher party authorities. According to a recent *Pravda* article, the PPO of a collective farm in Belgorod Oblast forced a change in managerial behavior by issuing an "ultimatum" to its director that he either concern himself with workers' social needs or leave. [] suggest that managers whose enterprises or farms are performing poorly may fear that their PPOs will report on their activities. One respondent bluntly said that "the director is afraid of the party organization secretary" because "[party secretaries'] principal occupation is denunciations and innuendo."

Gorbachev's Strategy

In sharp contrast to his predecessors, Gorbachev has launched a multipronged strategy to reduce the involvement of the party apparatus in economic matters. Given the highly centralized nature of the "command" economy and the difficulties inherent in managing such a large and complex system, the party's involvement has traditionally helped to minimize economic disruptions—such as supply and labor shortages and neglect of social projects—that would otherwise have occurred. Party intervention has also stifled managerial independence and personal initiative, however, which Gorbachev now hopes his reforms will unleash to reinvigorate the economy

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Reducing the Structure

In his attempt to weaken party control over day-to-day economic decisionmaking, Gorbachev first tackled reducing the personnel and changing the functions of the party structure. According to Soviet officials, this initiative, urged by Gorbachev at the June 1988 party conference, had been completed by early 1989.

At the national level, six Central Committee commissions were formed in September 1988, including ones on socioeconomic policy and agriculture, that, according to Soviet officials, oversee the Central Committee departments and are subordinate directly to the Politburo. It is doubtful that the commissions will play as pervasive a role as the Secretariat. They supposedly are to recommend policy options to the Politburo and apparently will play little role in policy implementation. Their members, who have full-time jobs, are scattered all over the country and meet only once every three months.

Gorbachev limited the responsibilities of the Secretariat—which, chaired by then “Second Secretary” Yegor Ligachev at its weekly meetings, had emerged as more of a hindrance than an aid to economic reform—and strengthened the Politburo as an institution and himself as its chairman. The Secretariat reportedly no longer holds weekly meetings and in July 1989 the Sverdlovsk obkom first secretary complained that the “Secretariat has been weakened recently.” However, with seven senior secretaries the Secretariat still has a strong nucleus that could allow it to reassert its traditional authority

The CPSU Central Committee apparatus has eliminated seven of 10 so-called branch economic departments—such as the Construction, Chemical Industry, and Machine Building Departments—and retained the Defense Industries, Economics, and Agricultural and Food Industry Departments. The latter two have

been renamed the Socioeconomic and Agrarian Departments, respectively. In a March 1989 speech, Politburo member Georgiy Razumovskiy noted that the Central Committee staff had been cut by 40 percent.

At the local level, according to *Izvestiya TsK KPSS*, republic Central Committees and larger obkoms were to eliminate nearly 30 percent of their “responsible workers”; medium-sized obkoms, 20 percent; smaller obkoms, 10 to 15 percent; and larger gorkoms, 10 to 20 percent. Data provided in the January 1989 *Izvestiya TsK KPSS* indicate that, if the reduction has been fully implemented, the total number of “responsible workers” at the local party level has been reduced by 5,500 to 6,900. Raykoms were to suffer no reductions.

According to Razumovskiy, almost all the branch economic departments of all local party organizations have been eliminated. Republic central committees have formed commissions similar to those at the CPSU Central Committee level and they and obkoms have followed the lead of the CPSU Central Committee in forming socioeconomic and agrarian departments. Republic central committees and certain obkoms have apparently retained their defense industry departments. Gorkoms in large industrial centers have formed socioeconomic departments, and raykoms and gorkoms in agricultural areas have created agrarian departments on the basis of already existing agricultural departments.

Transferring Responsibilities

Gorbachev is attempting to shift much of the authority for economic matters from higher and local party organizations to representative legislative bodies (soviets) at all levels and to local production units (enterprises and farms). First, a new law on amendments to the USSR Constitution, passed in November 1988, gives the Supreme Soviet, formerly a rubberstamp legislature, new powers that

* Party secretaries who are concurrently Politburo full members are referred to as senior secretaries. Senior secretaries have traditionally wielded considerable authority within the Politburo and informally outrank their nonsecretary colleagues in that body.

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cut into the authority of the Politburo and the CPSU Central Committee apparatus, including the right to:

- Pass legislation on a wide range of economic matters.
- Monitor progress in the implementation of the state plan and budget, ratify reports on their performance, and introduce amendments to the plan and budget whenever necessary.
- Repeal resolutions and orders issued by the Council of Ministers.
- Appoint the chairman of the Council of Ministers (Premier) and ratify or change the composition of the Council of Ministers. At its first session in June 1989, the newly empowered Supreme Soviet exercised its authority by forcing Premier Ryzhkov to withdraw several of his first choices for top economic posts in the new government.

In addition, the law gives new powers to the President to decide questions that have been traditionally vetted in sessions of the Politburo and Secretariat, including the power to:

- Nominate the Premier and other key government officials.
- Manage the preparation of questions to be examined by the Supreme Soviet and the larger Congress of People's Deputies.
- Submit reports to the Supreme Soviet and Congress of People's Deputies on the state of the country and on important domestic and foreign policy questions.

At the June 1988 party conference Gorbachev gained approval for measures intended to increase the accountability of local party first secretaries to the population by having them "as a rule," beginning in late 1989, run for the new post of soviet chairman in secret ballot elections within their local soviets. Candidates rejected by the representatives (deputies) of their soviets could face the prospect of losing their party posts. He apparently tried to sell local party bosses on the idea of the elections by touting the powers of the new soviet posts

Other election-related legislation is also intended to dilute the power of the party. A law on national state elections, approved by the Supreme Soviet in November 1988, will serve as a model for republic laws now being drafted to regulate the local soviet election process. These laws could weaken leverage of local party officials over local soviet representatives (deputies) by democratizing the local elections that have traditionally been controlled by local party organizations and PPOs.

Gorbachev realizes that the new powers granted the legislatures must be accompanied by economic resources. A draft law on local self-government and local economy, which is supposed to be ready for public discussion and review by the Supreme Soviet during the second half of 1989, is intended to give local soviets access to steady sources of revenue. Such sources will include stable levies on the profits of all area enterprises and taxation of the local population, and legal guarantees will be given for spending these revenues independently. In his opening speech to the June party conference, Gorbachev made other proposals that were not explicitly mentioned in the conference resolutions; thus, it is unclear whether they have been approved. They included subordinating more enterprises producing consumer goods and services to local soviets and granting them the right to place state orders with enterprises subordinate to ministries.

Gorbachev's economic reforms, introduced at the June 1987 Central Committee plenum, are intended to create a more automatic economic mechanism that will guide decisionmaking by the enterprises and farms and allow the withdrawal of the party from this area. In his October 1987 speech in Leningrad he explicitly noted that the two efforts must proceed "at the same time." Legislation over the last two years has also allowed for the substantial expansion of the private and cooperative sectors. At the March 1989

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Central Committee plenum Gorbachev gained approval for guidelines for far-reaching changes in agriculture, in particular the lease system that is intended to spur individual initiative by allowing farmers to lease land for periods of up to 50 years.

Gorbachev has also taken some initial steps to reduce the party's influence regarding personnel questions. The State Enterprise Law, effective January 1988, authorized worker elections of enterprise managers. The June 1988 party conference approved a resolution declaring "obsolete" the party's traditional practice of filling important posts by drawing from *nomenklatura* (lists) of acceptable candidates.

Thus far, however, party officials worried about losing their power have often manipulated the electoral process. During Gorbachev's February 1989 trip to the Ukraine, a worker complained that party organizations were "bringing pressure to bear" during the nomination of candidates for enterprise managers. In a November 1988 interview in *Sotsialisticheskaya Industriya*, the deputy chairman of the workers' council at one of the country's largest metallurgical plants asserted that "the election of the [enterprise] director was prepared by the party committee; the workers' council was not even involved in it." An August 1988 *Sotsialisticheskaya Industriya* article reported that the gorkom first secretary in Yegor'yevsk successfully pressured the workers council at a local textile plant to reject its candidate for director and vote for the party committee's candidate.

At times, party organizations have been forced to back down from their efforts to stage-manage elections. According to an April 1988 *Pravda* article, workers at a collective farm in Ulyanovsk Oblast successfully rejected attempts of the raykom to push its own candidate for director on the workers. In some cases, party organizations have been mindful of limiting their involvement. In a December 1988 *Pravda* interview, a Murmansk Obkom secretary indicated that, in two recent elections for directors of area enterprises in which candidates supported by party organizations had lost, party officials, although unhappy, did not seek to reverse the results.

The Party's New Role in the Economy

Gorbachev has said that he wants to fill the gap in the party's responsibilities by having it focus greater attention on its role as society's "political vanguard," which has always been the crux of the party's mission in principle but has been neglected in practice. He has touted the new role as offering the party "wide scope" for its activity and "truly historic responsibility" and argued that its adoption would increase its "influence in all sectors of life." According to Gorbachev, this new role would include:

- Policy formulation.
- Grassroots political work.
- Defense of party policies.
- Personnel work.

Policy Formulation. Gorbachev has said that he wants the Politburo and Central Committee to devote themselves to formulating "strategic" policy. They would develop the broad outlines of economic and social development that would be reflected in five-year and long-term economic plans.

Interviews with local party officials in the Soviet press indicate they are being asked to focus on formulating strategies for improving the long-term development of their areas and especially the quality of life of their residents. Such officials have indicated that the party would focus on broad economic issues and prepare guidelines that would address issues such as housing, consumer goods, environment, and education and be used by the State Planning Committee (Gosplan) in the drafting of five-year and 15-year plans. In a recent *Sovetskaya Rossiya* article, the Amur Gorkom first secretary illustrated his gorkom's new role by describing its formulation of a strategy for stopping pollution caused by local factories. In an interview in *Ekonomicheskaya gazeta*, a Kuybyshev Obkom official said that in its new role the obkom would study overall technological policy and resource saving and make recommendations on such issues to the local soviets. He noted that the obkom had formulated programs on automation and reduction of manual labor and devised recommendations for improving the

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financial health of enterprises that had shifted to full self-financing. A main challenge facing the obkom, according to the official, would be crafting a blueprint for territorial self-financing in the obkom.

Grassroots Political Work. According to Gorbachev, after policies are formulated, party officials should "carry those policies to the masses, organizing and rallying them to implement the set tasks." Soviet press articles suggest that Gorbachev wants party officials to seek to build support for party policies by personally interacting with lower party officials and workers, organizing discussion groups, and encouraging feedback. For example, to support its strategy for ending local pollution, the Amur Gorkom sought to explain, through PPOs, its plans to workers at the various offending plants and convince them to take corrective measures. The Moscow Obkom formed a special working group composed of specialists, scientists, and soviet and PPO workers to help organize economic accountability and the lease system in area enterprises. In a February 1989 *Pravda* interview, A. Kapto, chief of the Central Committee Ideology Department, argued that party committees must win compliance not through "force of power" but "by force of prestige . . . force of energy." A *Pravda* editorial on "political leadership" demanded that, in carrying out political work, party officials renounce strong-arm tactics and "learn to persuade people and listen to opinions from below."

Personnel Work. Gorbachev apparently wants to reduce the party's influence over the selection of personnel for key economic posts. In addition to pushing through worker election of factory managers and giving the Supreme Soviet new power to ratify Council of Minister members, he got the June 1988 party conference to approve the principle that elections must provide the "final solution" to personnel questions. Moreover, in outlining the leadership's new cadre policy in *Pravda*, the Murmansk Obkom secretary endorsed two recent elections for directors of area enterprises in which candidates supported by party organizations had lost

At the same time, however, Gorbachev apparently wants the party to retain considerable influence over the selection process and envisages work with cadres

as a chief source of the party's authority. Despite endorsing worker elections of managers, the enterprise law asserts that the party organization of each enterprise "guides" the work of the entire staff and its self-governing organizations. Moreover, the June 1988 party conference assigned party committees an important role in the recommendation of candidates for elections. Presumably, Gorbachev does not approve of the kind of heavyhanded manipulation of elections by many party officials. He apparently expects, however, that party organizations will be able to maintain considerable control over cadres by carefully screening candidates for election to ensure that all are acceptable.

It appears that Gorbachev intends for the selection of ministry personnel to be more tightly controlled by party organizations than the selection of enterprise managers. The CPSU Central Committee, operating under the direction of the Politburo, essentially determined the ratification of the Premier and the great majority of economic ministers by the legislature. It recommended Ryzhkov as its candidate for Premier. His selection by the party leadership was ratified by the newly formed Supreme Soviet, the bulk of whose members the Central Committee had put forward as Supreme Soviet candidates to the Congress of People's Deputies in June 1989. Ryzhkov—presumably in consultation with Gorbachev and other leaders—then submitted his candidates for ministers to the Supreme Soviet. Virtually all of these preselected nominees were approved, although the rejection of a handful demonstrates new limitations on the party's domination of selection of key personnel. Republic central committees will presumably play a similar role in the formation of republic governments. Moreover, party organizations may control the selection of ministry staffers, none of whom are elected

The use of party discipline would help ensure that party members in economic institutions follow party guidance. Invoking such discipline has traditionally been effective, but heavy reliance on it appears less likely under Gorbachev—who clearly wants to reduce the use of pressure tactics in implementing party policies

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
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Nevertheless, the leadership may hope the party can exert influence indirectly by insisting that party members fall into line with party policy on major issues. Gorbachev has alluded to this indirect role of the party by noting that the party's greatest strength is the presence of millions of Communists at all levels in all enterprises and institutions. Secretary Medvedev has indicated publicly that party discipline would be invoked with regard to party members who are Supreme Soviet representatives.

Defending Reform. Gorbachev also wants party officials to block efforts by administrative officials to disrupt reforms. He has called on party organizations to prevent local authorities from abusing the rights of cooperative businesses. According to *Partinaya zhizn'*, party committees must stop ministry officials from undermining enterprise independence. Presumably, party members who work in administrative organizations would be expected to monitor themselves and their colleagues and report violations to party committees through their PPO secretaries.

Although Gorbachev publicly touts the importance of the party's new role, he apparently expects and desires that adoption of this new role will substantially reduce the party's power in the economic area. In an August 1988 speech to Lithuanian party officials, Politburo member and Gorbachev ally Aleksandr Yakovlev acknowledged that adoption of the new role by local party bosses would require them to "give up their power." Moreover, Gorbachev's speeches are vague as to how the party can provide strategic guidance and overall leadership if it lacks administrative clout to require compliance with the guidelines it sets forth.

In the absence of more specificity about how party officials are to exercise their theoretical authority in practice, many party officials doubtless fear their functions could erode to the point of making them no more than advisers to government bodies. It is apparently to allay these apprehensions that Gorbachev is offering local party first secretaries chairmanship of local soviets that are supposed to gain power over their local economies. Gorbachev at the 1988 party conference presented this measure as one that would ultimately make party officials accountable in some

degree to the popularly elected bodies, but it is likely that he hoped they would see the measure as intended to compensate them for diminution of the authority they enjoy in their capacity as party officials. Yakovlev acknowledged this in his speech to Lithuanian party officials. Writers' Union first secretary Karpov indicated  that, during behind-the-scenes debate at the party conference over the proposal that first secretaries be elected soviet chairmen, Gorbachev pushed for substantial appointment powers for soviet chairmen as part of his effort to sell the proposal.

As soviet chairman, each would apparently have power:

- To set the agenda for soviet sessions and oversee the soviet's supervision of the day-to-day running of affairs by its administrative apparatus.
- To appoint officials of his soviet's administrative apparatus and the members of its commissions.

Gorbachev also appears to be trying to blunt opposition from party officials by offering them monetary incentives. In an August 1988 note to the Politburo regarding the reorganization, Gorbachev urged the preparation of proposals for increasing the salaries of party workers, and during his February 1989 visit to the Ukraine he emphasized that the wages of party workers were too low.

To alleviate the concerns of party officials who would lose their positions as a result of the reorganization, Gorbachev has also tried to offer attractive new jobs. Several Politburo members have issued guarantees that those who lose their jobs will be assisted in finding new work befitting their qualifications. After the September 1988 plenum, for example, party secretary for ideology Vadim Medvedev indicated that Central Committee department officials who lose their jobs will be helped to find useful work in the state sector, including jobs in the apparatus of the soviets, in the teaching profession, or in their specialties. Gorbachev has recently promoted to important party posts at least six of the seven Central Committee branch department heads—including three Central Committee candidate members and two full members—whose departments have been abolished.

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Gorbachev has not been reluctant to use a stick to ensure implementation of his policies, intensifying efforts in recent months to remove or reduce the power of recalcitrant party officials at all levels. As part of the shakeup at the September 1988 Central Committee plenum, Gorbachev decreased the number of party secretaries dealing with the economy. The departments that they oversaw have borne the brunt of the personnel cutbacks, and their capacity to resist the reorganization has been reduced.

First Results

Thus far, Gorbachev's efforts have produced some signs that small changes in the economic involvement of local party organizations are beginning to occur:

- A November 1988 *Pravda* editorial praised raykom officials in Krasnodar for renouncing the "command methods" and trying to "patiently persuade" people of the advantages of the lease contract.
- A December 1988 *Pravda* editorial criticized some party committees for appreciably reducing their attention to economic matters because of abolition of branch departments and personnel reductions.
- In November 1988 [] told [] that party officials had not recently interfered in the city soviet's decisions.
- Speaking to Moscow auto workers in November 1988, Moscow party boss Lev Zaykov noted that the economic levers that had begun to operate at fruit and vegetable bases had led to a reduction in the party's diversion of workers from enterprises to help stock the city with produce for the winter.

There is apparently no wholesale change, however. During his February 1989 visit to the Ukraine, Gorbachev acknowledged repudiation of "command-based ways" by party officials was "proceeding only slowly." In an April 1989 speech, Nikolay Slyunkov, chairman of the Central Committee's Socioeconomic Policy Commission, complained that in many cases the new socioeconomic departments attached to local

party committees were, like the sector departments they replaced, exerting "operational influence" on enterprises. In his February 1989 *Pravda* article, Kapto noted that changes in the party committee functions "have not been as tangible as life demands." In an early March 1989 speech Georgiy Razumovskiy, party secretary for personnel, indicated that, in the wake of the reorganization of the party apparatus, the departments of raykoms and gorkoms that deal with personnel placement had begun to involve themselves in economic questions—absorbing functions previously performed by branch economic departments that were abolished.

The modesty of these results is due in part to the fact that the overhaul of the party apparatus has been limited, particularly at the local level. In terms of personnel, even if the planned cuts in local party organizations of as many as 6,900 "responsible workers" have taken place, we estimate that only about 6 percent of local party officials have been affected. The tens of thousands of party officials at the raykom level retain their positions and, as [] recently told []

[] these are the party officials most involved in economic control (see table). Moreover, there is evidence that at least some of the party officials whose posts have been eliminated from party organizations have assumed positions at lower levels of the apparatus. Organizationally, because the CPSU Central Committee and many local party organizations still have socioeconomic and agrarian departments, they will probably retain the potential to continue their traditional economic involvement.

Moreover, economic reforms needed to substitute for the reduction in the party's economic role appear stalled. The leadership has backtracked on key reforms needed to establish a largely self-regulating economic system. Apparently concerned about spurring inflation and eroding public support for *perestroika*, the regime has decided to postpone wholesale price reform from 1990 to 1991 and to postpone retail price reform, scheduled for 1990, indefinitely.

The Party Apparatus Before 1988 Cuts

Type of Party Organization	Total Number	Estimated Average Number of Responsible Workers ¹	Total Number of Responsible Workers
CPSU Central Committee	1		1,940
Republic central committee	14	269	18,050 at republic and obkom levels
Regional party committee (obkom)	157	91	
City party committee (gorkom)	898	30	26,940 (est.)
District party committee (raykom)	3,539	22	77,858 (est.)
All types	4,609		124,788 (est.)

* "Responsible workers" include party committee secretaries, department and sector heads and their deputies, as well as instructors and certain other professionals who work for the apparatus on an ad hoc basis. It excludes "technical workers"—guards, messengers, secretaries, and so forth.

Sources: *Izvestiya TsK KPSS* No. 1, 1989, and *Yezhegodnik Bolshoy Sovetskoy Entsiklopediy*, 1988. Estimates are based on recent Soviet press articles.

Obstacles

Resistance to Gorbachev's initiatives to reduce the party's economic role is formidable. First, the initiatives are likely to face stiff opposition from some Politburo members:

- In his August 1988 note to the Politburo, Gorbachev appeared to allude to differences among Politburo members over the reorganization of the party apparatus.
- Politburo member Ligachev, head of the Central Committee Agricultural Commission, in a July 1989 speech called for party committees to "get into the specifics . . . of every [economic] project."

During his speech at the 1988 party conference, Politburo member Ligachev acknowledged the problem of detailed economic involvement of the Secretariat, but he apparently opposed a significant reduction in party control. In a June 1987 speech to party officials in Tbilisi, he cautioned party organizations against relaxing their grip over the economy.

- Former KGB chief Viktor Chebrikov, Politburo member in charge of legal issues, has said little publicly about the party's role in the economy, but his evident reluctance to support the development of market relations suggests that he does not feel comfortable with such changes that are essential to reducing the party's role.

- In July 1988 **C**

plied when speaking to **C**.

², implied that at least some Politburo members are extremely wary of potential disruptions that could result if the reduction in the party's economic involvement outpaces the introduction of self-regulating economic reforms. (See inset.)

Gorbachev's toughest roadblock probably will be recalcitrant local party bosses who view his initiatives as a threat to their power. Some party bosses probably like the idea of heading their local soviets, seeing it as an opportunity to expand their authority in a new arena, but many are less sanguine. Some apparently fear not surviving elections to the post of soviet chairman, and others fear that, rather than dominating the soviet, they will become accountable to it. During the June party conference when Gorbachev touted the proposal for electing party bosses as soviet heads, he noted "it is not as if secretaries are enthusiastic [about the proposal]. . . . I can already see that the Moscow secretaries are dissatisfied, shaking their heads as if, in all probability, to say that's going too far." An April 1988 *Moscow News* article indicated that party officials polled in raykoms in Sverdlovsk and Orenburg almost unanimously opposed the election of enterprise directors by workers because they fear the diminution of their own power.

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Leadership Views on the Party's Role

In the past we managed all [economic] spheres directly through the party apparatus. It reached the point where the Central Committee Chemical Industry Department, for example, had a subdivision in charge of organosilicon compounds. But at the same time we overlooked so many questions of society's life, people's moods, and processes in the spiritual and cultural spheres. But the party should have seen all that, known it, taken it into account, and transformed it into its policy We must offer prospects, open the way to new processes, and do everything to ensure that the party really reveals itself as the political vanguard.

—Mikhail Gorbachev, General Secretary,
speech to Moscow Gorkom Conference,
January 1989

Party and state organs must keep a firm grip on the levers of economic management. . . . It is easier to lose that grip than to regain it later.

—Yegor Ligachev, full member of Politburo,
speech to Georgian party officials,
June 1987

In a society that is renewing itself a party that is renewing itself must operate—operate as a political vanguard imparting a general direction to development, but not as a force directly controlling absolutely everything.

—Vadim Medvedev, full member of Politburo,
speech to Minsk election meeting,
March 1989

It is self-evident that, while rejecting the division of the apparatus into units spread throughout the administrative branches, the party does not consider it possible to completely withdraw from its competent observation of economic progress and the state of affairs in priority sectors of the national economy. . . . Every party committee and its apparatus must have

the ability to consistently implement the party's line of revolutionary renewal of society, and to act creatively, by methods of ideological-educational and organizational work, without excessive wardship over lower-standing party echelons and without fettering them.

—Georgiy Razumovskiy, candidate
member of Politburo, Kommunist,
September 1988

We must make changes in the activity of the party itself, changes that exclude the interference of party committees . . . in the immediate work of economic organizations but which at the same time strengthen the party-political guarantee of restructuring. . . . This is not to say that the party organs must now be occupied only with "pure politics," a condition that takes away from them any responsibility for the development of all spheres of the city's life. What we are concerned with is that they should reject economic management functions based on orders and commands and provide genuinely political leadership of and influence upon the economic, social, and spiritual life of the city.

—Lev Zaykov, full member of Politburo,
Kommunist,
March 1989

The desire still exists to make the apparatus of the party committee a mini economic council or regional command post, and to retain the practice of voluntarist-coercive management of subordinate organizations. . . . We must master more rapidly those . . . work methods that should become the main ones . . . the methods of in-depth prediction analysis activity, developing the habits of generalizing trends, and influencing economic processes through people and by means of political work in the masses.

—Nikolay Slyun'kov, full member of
Politburo, speech to meeting of socio-
economic department chiefs,
April 1989

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Given the slow pace of economic reform, party officials probably worry that starting their withdrawal from the economy too early will be disruptive. First secretaries are especially concerned about such disruptions because they continue to be held responsible for the economic performance of their territories:

- In an October 1988 speech, Shcherbitskiy warned local party officials that it was "wrong to draw the conclusion that . . . party committees are free from any responsibility for the state of affairs in the economy and in the social sphere."
- In October 1988 Y. Vagris, first secretary of the Latvian Republic, told party officials that "no one has absolved us or will absolve us of responsibility" for resolving social and economic problems.
- In a December 1988 speech in Cheboksary, Vitaliy Vorotnikov, chairman of the RSFSR Supreme Soviet, argued against party committees' abandoning their economic functions before local soviets have been sufficiently strengthened.

On the whole, Gorbachev appears to face a tougher task in reducing the role of the party in the economy than have other Communist regimes (see appendix B). The Russians have had long experience with authoritarian regimes that tightly control the economy, and the Soviet Communist Party has had a long time to become firmly entrenched:

- In the Soviet Union the "command" economy had been in place for nearly 60 years before a reduction in the party's economic role was attempted—30 to 40 years longer than in any other Communist country.
- Party control in the Soviet Union has been more pervasive than in other countries and consequently more difficult to dismantle. In Poland, for example, the party's control has never extended to any great extent to the agricultural sector.
- With the exception of the NEP period, in the Soviet Union there has never been a major tactical retreat from the traditional system that could have weakened the fibers of party control. In China, Mao's

national campaigns to communize agriculture in the late 1950s created chaos that allowed his opponents to gain the upper hand and temporarily widen the scope for market forces.

Outlook

The reorganization and reduction of the party apparatus and approval of legislation intended to shift authority for economic matters to the Supreme Soviet mark a credible first step toward lessening the role of the party in the economy. Moreover, by weakening the Secretariat, Gorbachev has probably improved his own ability within the Politburo to push for economic reform. The reductions in the party apparatus at the national and local levels reverse a pattern of long-term growth.

It is doubtful, however, that Gorbachev will achieve a significant reduction in the party's control of the economy over the next two to three years. It is unlikely that he can strengthen the presidency and Supreme Soviet enough to greatly shift economic authority away from the Politburo and Central Committee. Moreover, it is unlikely he will be able any time soon to persuade the local party organizations to shift their focus from their traditional economic functions.

Rather, we believe he probably will decide to ease his push temporarily rather than risk a political showdown with other Politburo members and local party first secretaries, who wield influence in the Central Committee beyond their numbers—they now constitute about 15 percent of the Central Committee's full membership.

Gorbachev recently ordered the media to cease publication of criticism of party officials, particularly at the obkom and raykom levels, out of concern that the apparatus's enmity toward him is approaching a dangerous level. Although in July 1989 Gorbachev reversed an earlier decision to delay local soviet elections until early 1990 and called for republics themselves to decide when to

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hold elections, he emphasized that it will be left to local party committees to decide whether to have their first secretaries run for the chairmanship of local soviets.

On previous occasions, Gorbachev has been willing to make tactical retreats in the face of strong opposition. In November 1988, for example, in response to party resistance to multicandidate elections for representatives to the USSR Congress of People's Deputies, he apparently backed off, agreeing to make them optional in the final law on national state elections.

In our judgment, Gorbachev will also not want to risk the economic disruptions that would probably result from a reduction in the party's administrative control that outpaces the introduction of key economic reforms and the buildup of the power of soviets. His public remarks suggest he is aware that such a reduction could create a number of problems, including supply and labor shortages and neglect of social and municipal projects. Moreover, the leadership's recent decision to postpone retail price reform strongly suggests that for now Gorbachev is eager to avoid disruptions that could worsen the plight of consumers and threaten popular support for his program. Despite the roughly one-third reduction in the number of ministries and their personnel announced at the Supreme Soviet session in June 1989, the ministerial apparatus will remain substantial for now.

The danger of this delay for Gorbachev is that it would give the apparatus additional time to seek to undercut his entire reform program. But this risk can be diminished if he maintains some of the reform momentum by laying the groundwork for a renewed effort to reduce the party's role in the economy as part of an overall push to move economic reform forward during the early 1990s. Such groundwork includes building popular support through shifting resources to the consumer sector, continuing to consolidate his position within the leadership, and finding ways to gain the support of local party first secretaries through such means as increasing their salaries. He probably will also push the preparation and implementation of the law on local self-government and local economy and the assumption of powers by local soviet chairmen. He may settle, however, for election

regulations for soviet chairmen and representatives that can be manipulated by most local party bosses to ensure their election.

If Gorbachev begins to make progress on these fronts, he will be in a better position to intensify his efforts to reduce the party's role in the economy. He would presumably have to seek deeper cuts in the party apparatus—as he is now doing in the government bureaucracy. In particular, he would have to sharply cut back personnel at the gorkom and raykom levels, who make up the bulk of the apparatus. We believe he would also have to seek to ensure that local party bosses are required to run for the post of local soviet chairman. Moreover, he would have to ensure that regulations for the election of soviet chairmen and representatives guarantee the public accountability of the local party bosses. If he failed to address the elections issue, he would run the risk that local party bosses would transform the soviets into surrogates for the party apparatus, using soviet staff to intervene in economic activity in their areas.

In our judgment, Gorbachev would also have to reduce the responsibility of party officials for plan fulfillment by area enterprises and farms. We do not believe, however, that it would be necessary for Gorbachev to relieve party officials of any responsibility for the overall social and economic development of their territories. As the scope for market forces increased, party officials would be able to fulfill such broad responsibilities without heavyhanded intervention.

We believe that, if this process continues, the inevitable result will be a decline in the party's power and prestige, particularly at the local level. The party's role as "political vanguard" as outlined by Gorbachev will not compensate for this loss. This has been the case in Hungary, where the process of reducing the party's involvement in the economy, ongoing since the late 1960s, has made the party increasingly irrelevant.

The implications for the economy of a reduction in the party's role will probably be positive to the extent that it is accompanied by the introduction of market

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forces. The Chinese reform experience suggests that such benefits could be substantially reduced, however, if the increase in the power of the local soviets vis-a-vis Moscow-based ministries proceeds faster than economic reforms introduce the discipline of the market. For example, the Chinese press has reported that local officials have abused their enhanced authority by setting up barriers to trade, such as prohibitions on selling locally produced goods to other provinces. Instead of creating national produce markets, this has caused the proliferation of protected markets unresponsive to economic levers. A recent decision by Lithuanian authorities to reduce the production of soap needed by other regions in order to address local environmental concerns suggests that the Soviet regime could confront a similar problem.

The role the CPSU plays in the economy will depend heavily on the party's ability to maintain legitimacy and cohesion during a period of social turmoil and political tension. The party's role in the economy will be strongly affected by the fate of Gorbachev's overall effort to manage a process of opening up the political system without relinquishing the CPSU's position as the dominant political institution.

Appendix A

Role of Local Party Organizations in the Economy

This appendix uses [] to document in detail the local party's pervasive role in the economy. The party's role in industry and in agriculture are considered separately because party control is stronger and exercised in somewhat different ways in agriculture.

In Industry

Coordination. Local party officials have often pressed enterprises to provide labor and other resources to other area organizations in order to meet national economic targets, often with little or no financial compensation. Farms frequently require such help. In a recent *Izvestiya* interview, a director of a Moscow enterprise complained that his efforts to make a profit were being impeded by the party committee's insistence that he provide "practically free labor" to collective farms. Another article noted that during 1987 in one rayon alone enterprises lost 3,300,000 workdays because they had to provide workers to farms at practically no cost to the farms and were forced to continue to pay worker salaries totaling 3,500,000 rubles. According to a June 1988 *Pravda* article, local party organizations force some enterprises to cover others' nonfulfillment of the plan.

Local party officials have also pressed enterprises to provide labor and material for municipal projects. In October 1987 *Sovetskaya Rossiya* criticized party officials in Kuybyshev Oblast for directing enterprises to supply "practically free" labor and material not only for farm work, but also for the construction of an underground metro system, an outdoor dance area, and a park fountain. Enterprises were also pressed to provide workers to serve in the local police force. The article blamed such donations for enterprise losses amounting to millions of rubles.

In addition, local party officials have intervened to resolve supply problems. They have decided the relative priority of conflicting demands of different firms

within their territories. According to *Zarya vostoka*, at the Tbilisi Gorkom plenum in January 1988, a PPO secretary complained that the procuring of gravel and cement by the gorkom secretary for one construction project was at the expense of other projects.

When delinquent suppliers have been located outside their territories, local party officials apparently have been inclined to ask their party colleagues in other areas for assistance in pressuring the offending firms. In January 1988, in an interview in *Sovetskaya Rossiya*, Ivan Polozkov, the Krasnodar Kraykom first secretary, said that, when the harvest in his region was threatened by late oil deliveries, he persuaded the party bosses of other oblasts to put the deliveries under party control.

Local party officials have also compelled banks in their areas to provide funds to cover the losses of inefficient enterprises. During an October 1988 meeting of the Presidium of the Council of Ministers, Minister of Finance Boris Gostev noted that inefficient enterprises have been able to "simply go to the bank and there they are given money . . . [because] the bank works mainly according to the commands of the local soviet and party bodies."

Intervention in Firm Decisionmaking. Soviet press articles indicate that local party officials have often intervened directly in the affairs of individual enterprises. They have maintained frequent telephone contact with enterprise managers and, at least in some cases, have made frequent on-site inspections of enterprise operations. The PPO secretary at one Ukrainian enterprise indicated, for example, that the managers of his enterprise were recently burdened by having to host nearly 40 such inspections.

In many cases when local party organs have been dissatisfied with conditions at individual firms, they have taken managerial decisionmaking into their own

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lands. Local party officials have often changed the production plans of enterprises. In October 1988 [redacted]

[redacted] soviet told [redacted] that local party officials had recently raised the production plans of one enterprise by 25 percent despite protests by the plant manager. A director of a construction firm in Novgorod complained in *Pravda* in January 1988 that each member of the obkom bureau tries to "hammer" into the plan his "own" project, undermining self-financing and causing disruptions.

Local party officials have taken a special interest in the plans of those enterprises responsible for housing, social projects, or consumer goods production. In a November 1987 interview with *Ekonomicheskaya gazeta*, Nikolay Samilyk, first secretary of Kirovograd Obkom in the Ukraine, acknowledged that after a "difficult struggle" he persuaded the All-Union Ministry of Ferrous Metallurgy to add a number of housing and social projects to its 1988 construction plans. In early 1988 [redacted] indicated [redacted], despite the new rights supposedly available to enterprise directors, local party officials were continuing to forbid managers to halt production of unprofitable consumer goods.

Local party officials have often influenced the introduction of new equipment and methods of production and management. In some cases, they have blocked innovations. In June 1986 Gorbachev criticized the Cherkassiy Obkom for preventing an enterprise manager from starting to produce a new type of machine tool. However, in many other cases, local party officials have backed the introduction of new ideas.^{*} Party officials in the Belorussian Republic helped develop a program designed by railroad workers and intended to make their operations financially self-supporting.

Local party officials have often involved themselves in questions regarding the labor force and financial affairs. In June 1986 Gorbachev criticized gorkom

^{*} At times, local party officials have endorsed changes that have been initiated by managers themselves. The reluctance of many enterprise managers to introduce innovations suggests, however, that in many cases local party officials have pressed them to accept new techniques and equipment.

officials in Sverdlovsk for frustrating the efforts of an enterprise manager to introduce an innovative wage agreement with his workers. A manager at a Moscow enterprise operating on a condition of "full self-financing" under which he is required to cover most of his own expenses recently complained to *Izvestiya* that inspectors from the raykom's financial department arrived at the enterprise "allegedly to check staffing discipline . . . and very quickly [the manager] was told who should be doing what and where." Local party organizations have interfered in the financial operations of enterprises. For example, in a November 1987 *Izvestiya* article, a Moscow enterprise director complained that financial inspectors from the raykom froze the firm's bank account because they had discovered a small overexpenditure on business trips. The director asserted, "And we run into adventures of this kind at every step. This is why I say that our feet remain tied."

Petitioning of Higher Authorities. Local party officials have frequently tried, with varying success, to persuade ministries to provide a wide variety of assistance to area firms (see inset). In August 1987, economist Yevgeniy Yasin of the Central Economics and Mathematical Institute (TsEMI) indicated in *Kommunist* that local party committees have sometimes even sought to postpone the closure of inefficient firms to avoid worsening their region's economic performance indicators. Many requests focus on supplies. In an April 1988 *Pravda* interview, V. Galushko, a raykom first secretary from Krasnodar Kray, admitted that "for now we play the unenviable role of petitioner, mediator, going to Moscow to 'drum up' funds for cement, slate, lumber, metal, etc."

Local party officials have also petitioned higher authorities for other reasons [redacted]

[redacted] local party officials intervened to obtain additional wage funds for area enterprises. [redacted] local party officials asked the ministries for "corrections" in enterprise output targets. In a March 1987 interview in *Sotsialisticheskaya industriya*, N. Yermakov, then

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Limits of Local Party Influence Over Ministries

[] local party officials exercise considerable control over organizations subordinate solely to local state authorities but have had limited influence over Moscow-based and so-called union-republic ministries (ministries headquartered in both Moscow and republic capitals) because these ministries are subject to the control of the CPSU Central Committee apparatus.*

Soviet press articles support this finding. A March 1988 Pravda article indicated that the Tyumen Obkom was unable to persuade the USSR Ministry of Construction in the Urals and western Siberia to build a cement factory in the oblast. In a March 1987 interview in Sotsialisticheskaya industriya, the Kemerov Obkom boss acknowledged that for years he had been unable to persuade the USSR Ministry of Ferrous Metallurgy to allocate resources for the reconstruction of an area plant.

[] local party officials are sometimes able to gain cooperation from Moscow-based and union-republic ministries by:

- Threatening to complain or complaining to higher party authorities.
- Offering ministries a quid pro quo. [] local party officials have an impressive command over local resources useful to ministries.
- Highlighting the potential for labor difficulties. [] in their dealings with ministries, local party officials frequently argued that if wage fund allotments were not increased, the enterprise work force would depart.

* In a speech to the Supreme Soviet in June 1989 Premier Ryzhkov announced that all union-republic ministries would be transformed into either strictly Moscow-based or republic ministries.

first secretary of Kemerov Obkom, noted that he had persuaded the USSR Minister of Light Industry to lower the plan targets for an area textile firm.

Selection and Firing of Economic Managers. Local party officials have involved themselves, to varying degrees, in the selection of economic managers. []

[] despite the formal power of local party officials to "confirm" any personnel action regarding jobs included in their nomenklatura (official list of posts), they have often limited their involvement to rubberstamping candidates favored by ministry officials.

In many instances, however, local party officials appear to have played a more active role, controlling the selection of candidates for specific posts []

[] ministries were sometimes forced to accept the appointment of unqualified persons with high party connections. Also, obkoms have had the final say in job transfers for important economic personnel.

Local party officials have probably been more involved in decisions to fire than in decisions to hire.

[] local party officials typically originated proposals to fire managers and were inclined to move quickly without giving a manager a second chance. Consequently, enterprise managers feared local party officials more than their ministry superiors.

In Agriculture

Coordination. The coordination work of local party officials in agriculture has been similar to such work in industry. They have encouraged inefficient farms to accept free labor and material resources from enterprises and compelled banks in their areas to provide funds to cover the losses of inefficient collective and state farms. In addition, they have expedited the delivery of supplies between farms. In a recent letter to *Kommunist*, a gorkom first secretary acknowledged that, when he arrives at a state farm, he "lives up to the existing stereotype of party behavior," going directly to the director's office and telephoning the

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director of a neighboring farm in order to "beat out" deliveries of salt for the wintering of cattle. There is much evidence in the Soviet press that, as they have one with the output plans of enterprises, local party officials have been inclined to increase the procurement targets for area farms.

As they have done in industry, local party officials have ordered the redistribution of profits from successful farms to their lagging neighbors. They have also forced successful farms to surrender grain produced in excess of the plan with little or no compensation to help less successful farms meet their own plans. In November 1988 in *Pravda*, a livestock specialist from a collective farm in Omsk, citing this practice, complained that his farm could not be expected to be financially self-sufficient if "we are not masters of our own production."

Intervention in Farm Decisionmaking. Local party officials have been more deeply involved in decision-making in farms than in enterprises. Complaints in the Soviet press noting a "barrage" of local party inspections and a "landing force" of obkom officials more often refer to visits to farms rather than to enterprises. The Soviet press contains frequent criticism of local party officials for ordering farms when and how much to sow and when to harvest. According to a raykom first secretary in Krasnodar, the kraykom sends telegrams demanding that raykom secretaries "immediately examine every field with respect to the fight against pests, select quality-standardized livestock on the farm, conclude a contract, or make financing available." An *Ekonomicheskaya gazeta* article noted that certain gorkom and raykom first secretaries in Tambov have issued detailed instructions for the wintering of cattle and the cultivation of new agricultural crops. Other articles have underscored the involvement of local party officials in organizing the reception of vegetables for storage and in personally overseeing the construction of greenhouses.

In contrast with their involvement in industry, in which they have largely confined themselves to social and cultural aspects of planning, local party officials have often played a role in approving the entire output plans of farms. In Kaluga Oblast, for example, agricultural plans are coordinated with the obkom, and in Moscow, obkom personnel were criticized for instructing gorkom and raykom secretaries to sign control targets for the sale of milk and meat. A November 1988 article in *Partiynaya zhizn'*, indicated that they have also tried to control the distribution of the farms' output. (

Local party intervention in decisions to introduce new management techniques and equipment in farms appears to have been more heavyhanded than in industry. In June 1988 a farm manager from Kazakhstan complained in *Pravda* that obkom officials forced farm managers to adopt "progressive" technology for transporting hay from the fields that was highly inefficient and ultimately abandoned. A November 1988 *Pravda* editorial indicated that party officials in Krasnodar Kraykom until recently had forced managers to introduce lease contracts in their farms.

Selection and Firing of Managers. An American academic expert has written that local party officials have been much more involved in personnel decisions in agriculture than in industry. The Soviet press suggests at least as much involvement. For example, in May 1988, N. Zadoya, then second secretary of Dnepropetrovsk Obkom, complained in *Ekonomicheskaya gazeta* that officials from one raykom, ignoring the objections of workers of the "Communist" collective farm, discounted the "business qualities" of candidates for farm director and selected a director who left after three months.

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Appendix B

Reducing the Party's Role in Other Communist Countries

Attempts to reduce party interference in the economy have been under way for decades in other Communist countries with varying degrees of success. According to Soviet officials, the Soviet leadership is studying the experience of these countries for possible application to its own reform efforts.

China

The traditional role of the Chinese Communist Party in running China's centrally planned economy has been one of policy formulation at the highest levels and enforcement of implementation at lower levels. In theory during most of the 1950s and early 1960s, all policy decisions were dictated by the senior party leadership through the Politburo and Secretariat and the government was responsible for actual implementation.

At the instigation of Mao, however, the party did at times intervene in key economic sectors, especially agriculture and rural industry. In 1956, and again on a much larger scale in 1958-60, Mao overrode objections of government planners and launched national campaigns to communize agriculture.

Although his use of the party to enforce economic dictates was rebuffed briefly by senior party opponents, Mao moved against the government economic bureaucracy after regaining power during the Cultural Revolution (1966-76), managing to fundamentally change the party's relationship with the economy. After the initial, violent phase of the Cultural Revolution, party secretaries of "revolutionary committees" at all levels took over the government's role, both formulating policy and running enterprises' day-to-day affairs.

With the objective of raising enterprise efficiency, Deng Xiaoping's reformers focused in 1983 on making factory managers the final decisionmakers in state enterprises and reducing the enterprise party secretary's role to that of policy oversight and "ideological work" among enterprise workers. After six years, "the factory manager

responsibility system" has now officially been promulgated in most of China's roughly 400,000 state enterprises. While local party secretaries still interfere at times in factory operations, their power in most cases appears to have been reduced.

More recently, China has begun new efforts to lessen the party's role in the economy. At the top, strategic economic policy is still hammered out by the Politburo's Financial and Economic Leading Group headed by General Secretary Zhao Ziyang until his removal from that post in June 1989. Nonetheless, since the 13th Party Congress in October 1987, the role of the State Council has been considerably strengthened and the once powerful party Secretariat has virtually lost its policymaking role in the economy.

In the provinces, two separate sets of experiments designed to restrict party interference are under way. In the past, each level of government—down to the enterprise—had a corresponding party office that supervised its work. In 16 medium-sized cities Beijing has abolished these party offices, in theory leaving government economic organizations with full responsibility for guiding their sectors. Senior local party officials will still be able to issue edicts affecting the economy and to make key personnel decisions, but they will lose their large staffs and thus much of their ability to micromanage their government counterparts.

In another, potentially more important reform, some cities are experimenting with a system that removes party committees from economic bureaus and enterprises entirely. Instead they will be organized regionally; one would belong to a party unit based on place of residence rather than workplace, and lower-level units would report to the municipality rather than to an economic ministry. The intent is to limit the ability

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of higher level party units to influence the decisions of individual enterprise managers and of incompetent managers to use ministry networks to protect themselves.

Although Deng's reforms have curbed the power of party bureaucrats, especially over the operation of individual state enterprises, they have not yet fundamentally changed the system—in most cases the party still has the final word on major decisions. Deng's efforts to devolve decisionmaking power to provincial and local authorities have had a much more profound impact, greatly increasing the power of local party and government officials at the expense of the center.

Hungary

Former party leader Janos Kadar realized early in his rule that the Hungarian Socialist Workers Party (HSWP) had neither the human resources nor the political need to be both policymaker and administrator in all functional spheres and that a more decentralized system of administration could make more effective use of nonparty personnel, speed decision-making and economic growth, and also be more popular. As part of the reform program he started in 1966, he began gradually eliminating overlapping areas of responsibility between party and state bodies in the economy. The party continued, however, to set the main goals of economic policy and supervise the implementation of party directives, mainly through its control over the selection of enterprise managers and government officials who oversee economic activities.

Nonetheless, the party's working relationship with ministries became increasingly imprecise and confusing after years of piecemeal economic reforms. Most enterprises probably have closer links to government ministries in Budapest, especially the Ministry of Industry, than with central party authorities. Enterprises are still linked more closely at the local level to party committees than to government organizations, but this too is changing under the impact of successive economic reform programs.

In most instances, the behavior of local government bodies and enterprises is now shaped only broadly by the party, but top party leaders and local officials still intervene on an ad hoc basis. The extent of these organizations' autonomy when it comes to controversial issues, the management of labor disputes, major investment decisions, or business dealings with foreign companies is therefore unpredictable.

The ill-defined nature of the party's role and growing disillusionment with its inability to improve the economy's poor performance have led the party to withdraw further from economic policy making over the past year. At the national level, the government ministries and the National Assembly are being given more opportunities to inject their opinions into the policy-making process. In the past, the Central Committee's Economic Department merely presented these bodies with policy directives to rubberstamp, but they have lately been given alternative policy options to debate and choose between. The party has also permitted the government to take the lead role in formulating austerity policies, both to reduce its day-to-day responsibilities and to avoid some of the blame for unpopular policies. Despite this recent reduction in the party's role in the economy, the party leadership retains a certain degree of influence over the economy because most top government leaders are also high party officials and are therefore inclined to follow party directives.

At the local level, [] has observed that the party is giving local councils more authority and reducing both the size of the local party apparatus and the number of *nomenklatura* positions. In Borsod County, for example, the scope of the county council, formerly largely limited to infrastructure issues, is being enlarged to include responsibility for all county enterprises that were formerly overseen by the Ministry of Industry and county party committees. The county party committee will no longer oversee the council's detailed, one-year plans, only its five-year and longer strategic plans, and instead will

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focus on agitprop and cadre selection. Given its reduced tasks, the Borsod party apparatus is being cut by nearly 25 percent, while the number of officials responsible for economic issues will be reduced from nine to six or seven, according to the head of the economic-political department of the Borsod party committee. He also said that the 41 economic slots in the county party committee's *nomenklatura* would fall to 20 or 25, and that responsibility for selecting these officials would devolve to city party committees. [] has confirmed that similar reorganizations are taking place in other counties.

The role of the HSWP in the economy will probably continue to decrease gradually in view of the ongoing reductions of the local party apparatus and new economic reforms that significantly expand the scope of the private sector. The party's leading role is probably less threatened by these measures, however, than by the pressures—both from within and from outside the party—for greater political liberalization and by the recent dramatic increase in independent political activity.

Poland

The Polish United Workers' Party has maintained a pervasive—though loosely defined—role in the economy through its domination, at least until the recent elections, in central and local governments. Numerous reform attempts designed to improve performance have included efforts to introduce market mechanisms and profit incentives and thus dilute the party's influence over economic decision making, but they have achieved only limited success. At the national

level, the party has continued to set broader, overall goals of economic policy and approve or amend government-drawn plans. It also has continued to influence implementation of central directives at the local level through the selection of managers and the presence of local party officials at the factories.

Successive regimes have tried to remove the party from microeconomic decision making through moves that implicitly reduced the party's power, but none have ever explicitly called for the party to cede its economic control or reduce the influence of the *nomenklatura*. Pricing reforms, expanded private ownership rights, and decentralized economic management have been cornerstones of almost all reform programs, but weak leadership commitment, bureaucratic opposition, and public unrest have thwarted these earlier efforts.

In recent years, pressured by growing public dissatisfaction with its ability to improve the economy's poor performance, the party has focused increasingly on economic strategy rather than detailed economic policy making. Government commissions have taken the lead in designing economic reform plans based on party guidelines. These plans have then been debated within the party and government with the party retaining the right to amend government-drawn plans. This process, however, has been complicated by the fact that most high-level government officials have also been high party officials and, while inclined to adhere closely to party directives, have often circumvented or paid lipservice to directives when it has been in their interest to do so.

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